

Nayara Energy Limited

Registered Office:

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Policy for determining material subsidiary(ies)

DOCUMENT CONTROL

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Policy for Determining Material Subsidiaries

Preamble:

Nayara Energy Limited (“**Nayara**” or “**Company**”) had in August 2021 raised funds by issue of Non-Convertible Debentures (“**NCDs**”) which were subsequently listed on BSE Limited. As a company having issued and outstanding listed debt securities i.e. the NCDs, among other compliance requirements Nayara is required to comply with the rules and regulations framed by Securities and Exchange Board of India (“**SEBI**”) from time to time . SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“**Listing Regulations**”) prescribes that a high value debt listed entity (“**HVDE**”) should formulate a policy for determining a ‘material subsidiary’.

Accordingly, the Company being a HVDE has formulated this policy for determining ‘material subsidiary’ in compliance with the explanation to Regulation 16(1)(c) of the Listing Regulations. (“**Policy**”)

Scope:

The Policy will be used as a guidance for determining or identifying a Material Subsidiary (*defined hereinafter*) of the Company and to provide the governance framework for such Material Subsidiary(ies).

Effectiveness of the Policy:

The Policy shall come in to effect from the date of approval by the Management Committee of the Company.

The Policy shall remain effective so long as the non-convertible debt securities issued by the Company remain listed with Indian Stock Exchange(s). The Policy shall cease to be effective immediately upon (i) delisting of the listed debt securities or (ii) redemption of the entire listed debt securities whichever is earlier.

Terms and Definitions:

“**Accounting Year**” shall mean financial year as defined in Section 2(41) of the Companies Act, 2013.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

“Material Subsidiary” shall mean a Subsidiary (*defined hereinafter*) whose income or net worth exceeds 10(ten) percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding Accounting Year.

“Significant Transaction or Arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10 (ten) percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

“Subsidiary” shall be as defined under sub-section 87 of Section 2 of the Companies Act, 2013 and the Rules made under the said Act.

“Unlisted Subsidiary” shall mean a Subsidiary whose neither equity shares or non- convertible debentures are listed on any of the stock exchanges in India.

All the words and expressions used in this Policy, unless defined herein, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 (“Act”) and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

Guiding Principles for Determination of Material Subsidiary

A Material Subsidiary of the Company will be identified as a onetime exercise during each Accounting Year and such conclusions shall be placed before the Audit Committee of the Company. The identification will be carried out after preparation of annual accounts and the outcome should be placed before the Audit Committee, in the meeting where the annual audited accounts of the Company are considered for recommendation to the Board.

Governance Framework

- At least one independent director on the board of directors of the Company shall be a director on the board of directors of the Unlisted Material Subsidiary whether incorporated in India or not.

Explanation: For the purposes of this provision, notwithstanding anything to the contrary contained in Regulation 16 of Listing Regulations or the definition provided above, the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20 (twenty) percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiaries of the Company.
- The minutes of the board meetings of the Unlisted Subsidiary companies shall be placed at the meeting of the Board of Directors of the Company.

- The Board of Directors of the Company shall be provided periodically with a statement of all Significant Transactions or Arrangements entered into by the Unlisted Subsidiary companies.
- The Company shall not dispose of shares in its Material Subsidiary, which would reduce its shareholding (either on its own or together with other subsidiary(ies)) to less than or equal to 50 (fifty) percent or cease the exercise of Control over such subsidiary without passing a special resolution in its General Meeting of its shareholders except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under Section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- Selling, disposing and leasing of assets amounting to more than 20 (twenty) percent of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under Section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- The Company and its Unlisted Material Subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as may be specified by applicable law, along, with the annual report of the Company.

Policy Review:

The Management Committee shall review the policy once in every three years and may amend the same from time to time, as may be deemed necessary.

Disclosure:

The Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Board's report as per the law in force.

Amendments

The Management Committee reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary. Any difficulties or ambiguities in the Policy will be resolved by the Management Committee. The Management Committee may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc. and such amendments shall be incorporated into the Policy with approval of the CEO. In such instances, the revised Policy shall be placed before the Management Committee at the meeting to be held following the date of such amendment(s), clarification(s), circular(s) etc.